



U.S. Department of Justice

United States Attorney
Southern District of Alabama

Riverview Plaza
63 So. Royal Street, Suite 600
Mobile, Alabama 36602

Phone: 334/441-5845
Fax: 334/441-5277

PRESS RELEASE

March 31, 2006

Today a federal grand jury returned a 34-count Superseding Indictment charging the former Mayor of Orange Beach, Stephen Russo; the former City Attorney of Orange Beach, Laurence Sutley; and Orange Beach real estate developers, James Brown and Kenneth Wall, with conspiracy and other public corruption charges involving millions of dollars of real estate transactions that enriched the defendants and corrupted the former Mayor.

The Superseding Indictment charges all four defendants with conspiring to deprive the citizens of Orange Beach of their right to the honest services of Russo as Mayor. The Superseding Indictment alleges that the defendants engaged in real estate transactions together while Russo was the Orange Beach Mayor and Sutley was the City Attorney. "Developers Brown and Wall arranged the real estate transactions. Russo and Sutley shared in the ventures, although they invested little to none of their own money. Russo, as Mayor, voted in a manner that benefitted Brown, and all of the defendants made a lot of money," said United States Attorney, Deborah J. Rhodes.

Russo and Sutley also are alleged to have taken steps to conceal from the public their interest in these transactions. Russo failed to disclose his involvement in these transactions as required by the Alabama Code of Ethics for Public Officials. Sutley directed the creation of American Hot, LLC, a business in which Russo, Sutley and Brown were equal partners, although the assignment of their partnership interest was not filed publicly. American Hot invested in real

property.

Among the real estate transactions alleged in the Superseding Indictment are the following:

- In July of 2004, American Hot bought property in Gulf Shores for 1.1 million dollars. In 2005, Russo, Sutley and Brown each received \$93,000 in insurance proceeds from the property, although Russo and Sutley invested little to none of their own money in American Hot.
- In August of 2005, Brown and Wall arranged for Russo to make \$400,000 in one day, without investing any money, by buying property for 1.2 million dollars and selling it later that day for 1.6 million dollars. Russo used the \$400,000 to buy other property in Orange Beach under his own name.
- Also in August of 2005 – the same month as Russo’s lucrative land flip – Russo, acting in his official capacity as Mayor, voted in favor of rezoning real property in which Brown had an interest. As a result of this rezoning, the value of Brown’s property increased by approximately 1.1 million dollars. During that same month, Brown and Wall submitted to the City of Orange Beach plans for a new real estate venture called The Water Club – a twin tower hotel, condominium, convention, restaurant and retail destination, which according to their own documents would yield Brown and Wall an estimated profit of 64 million dollars.

The Superseding Indictment also alleges that, in December of 2004, Russo requested and Brown wrote a \$10,000 check, payable to Russo’s then paramour, which Russo used to buy a 2004 BMW. Brown later reimbursed himself for this money, with interest, with a check drawn from American Hot.

Russo's prior federal charges – that he failed to disclose approximately \$33,000 in campaign contributions, as required by Alabama law, and that he spent thousands of dollars of this money to pay for personal expenses including vacations, luxury hotels, and restaurants – are also included in the Superseding Indictment. The Superseding Indictment also charges Russo and Sutley with racking up over \$1,700 in limousine expenses while on a weekend vacation in New York City, and then passing those expenses on to the taxpayers of Orange Beach.

“The people in our communities have the right to an honest government – public officials who honestly serve the public. Not those who would use their office as an opportunity to line their own pockets by making secret deals with hidden business. This office will prosecute the corrupt official and those who corrupt them,” Rhodes said.

The Superseding Indictment seeks to forfeit the defendants ill-gotten gains by forfeiting properties including: American Hot, the real property owned by American Hot and the \$207,000 in insurance proceeds from the property, the property Russo bought with the \$400,000 land flip profits, and the 2004 BMW.

The Superseding Indictment alleges that the defendants committed mail fraud and wire fraud in carrying out their corruptions schemes. The penalty for each mail and wire fraud counts is up to 20 years imprisonment and a fine of \$250,000.

The case is being prosecuted by Assistant United States Attorneys Steven E. Butler and Sean P. Costello, and Gregory A. Bordenkircher, the Chief of the Criminal Division. The Superseding Indictment is the result of a joint investigation conducted by the Federal Bureau of Investigation, the Internal Revenue Service, the Alabama Attorney General's Office, and the Office of the Baldwin County District Attorney. The investigation is continuing.